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**COMPLIANCE IS MANDATORY**

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## **The Continuous Monitoring Program and Financial Management Operating Procedures**

**Responsible Office: Office of the Chief Financial Officer**

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# Preface

## P.1 Purpose

This NASA Procedural Requirements (NPR) document provides the financial management policy requirements for financial management operating procedures (FMOP) and the continuous monitoring program (CMP). NASA is required to establish Agency-level guidance, resulting in a high standard of financial data integrity.

## P.2 Applicability

- a. This NPR is applicable to NASA Headquarters and NASA Centers, including Component Facilities and Technical and Service Support Centers.
- b. In this directive, all document citations are assumed to be the latest version, unless otherwise noted.
- c. In this directive, all mandatory actions (i.e., requirements) are denoted by statements containing the term "shall." The terms: "may" or "can" denote discretionary privilege or permission, "should" denotes a good practice and is recommended, but not required, "will" denotes expected outcome, and "are/is" denotes descriptive material.

## P.3 Authority

- a. Chief Financial Officers Act of 1990, 31 U.S.C. § 902(a)(5).
- b. Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control.
- c. NASA Policy Directive (NPD) 9010.2, Financial Management.

## P.4 Applicable Documents and Forms

- a. CMP Manual.
- b. FMOP Documents.

## P.5 Measurement/Verification

Quality assurance reviews and analysis of financial and budgetary reports and data submitted through the continuous monitoring program will be used to measure compliance with this NPR.

## P.6 Cancellation

NPR 9010.2, Financial Management Operating Procedures and the Continuous Monitoring Program, dated September 30, 2008.

/S/

Pamela Hanes  
NASA Deputy Chief Financial Officer (Finance)

# Chapter 1. Continuous Monitoring Program (CMP)

## 1.1 Overview

1.1.1 This chapter sets forth requirements regarding CMP activities that are required to be performed for all NASA Centers for their associated Business Areas. These activities consist of the review and analysis of NASA's financial data to identify inaccurate data, abnormal balances, account relationship differences, and other financial reporting anomalies. Specific procedures or control activities are provided within the FMOP or CMP.

1.1.2 NASA is to ensure that various tools and methods are used to thoroughly analyze and review the financial data reported both internally and externally. Our financial data is important in making mission critical decisions to ensure adequate resources are available and properly used. To ensure the most accurate financial data, NASA's accountants, and financial managers shall institute a rigorous and comprehensive review and analysis process.

1.1.3 Upon completion of the review and analysis of the financial data, each NASA Center Chief Financial Officer shall ascertain these reviews have been conducted and certify that all required reconciliation procedures have been performed. A resolution plan should be prepared for exceptions and unreconciled differences that require an explanation.

## 1.2 CMP Objectives

1.2.1 The CMP provides an overall framework of management controls that NASA uses to assess and evaluate:

- c. Internal controls.
- d. Compliance with Generally Accepted Accounting Principles (GAAP).
- e. Evidence that balances and activity reported in its financial statements are auditable, accurate, and complete.

1.2.2 The CMP is used to ensure that errors and/or discrepancies are identified, tracked, and corrected in a timely manner. It also ensures that there are ongoing management reviews and validations of financial data and internal controls. The reconciliations/work papers for each control activity are maintained as documentation and evidence the activity was performed. The documentation contains the source of the information provided, including the title of reports and report description when available. Supporting documents for the reconciliations are maintained at the Centers/Agency/ NASA Shared Services Centers (NSSC) and accessible on request. The CMP can be found on the Agency Office of the Chief Financial Officer (OCFO) Web site at <http://www1.nasa.gov/offices/ocfo/nasaonly/cmp.html>.

## 1.3 CMP Contents

1.3.1 The chapters in the CMP are designed to capture control activities for entire business processes for specific accounts. As a result, each chapter may address multiple related line items in the financial statements. Each chapter also includes the proprietary and budgetary accounts that relate to

the business process. For example, the CMP chapter for accounts receivable includes proprietary and budgetary receivables, revenues, and customer advances because all of these transactional events are generated within the accounts receivable business process.

### 1.3.2 The CMP includes the following:

1.3.2.1 Financial statement line item reference. References all basic financial statement lines that are supported by the section.

1.3.2.2 General ledger accounts reference. Lists proprietary accounts with related budgetary accounts (the budgetary accounts are indented to show the relationships).

1.3.2.3 Management assertions. All management assertions for the financial statement line items are listed.

1.3.2.4 Control objective (for each section and entire document). The objective is provided to detect misstatements in significant financial statement/reporting assertions and Required Supplementary Stewardship Information.

1.3.2.5 Financial reporting objectives. The list includes the GAAP financial reporting objectives that the control activities support.

1.3.2.6 Control activities. Defines and sets standards for all control activities that collectively support the management assertions/control objective and financial reporting objective for the section. Each control activity is assigned a number related to the CMP chapter and a brief description. The standards for each activity are defined as follows:

1.3.2.6.1 Purpose of reconciliation. Describes why the reconciliation is performed. Explanations are provided if there is some unique aspect of this activity.

1.3.2.6.2 Frequency. Includes information on how often reconciliation is performed (daily/weekly/monthly/quarterly). Some more in depth data analysis/review activities are scheduled to allow extended periods for performing the activity before quarterly reporting.

#### 1.3.2.6.3 Roles and Responsibilities (Control Activities).

a. Centers are responsible for preparing and approving the control activities that they perform. Centers are also responsible for the analytical review and approval of control activities performed by the NSSC and Control Activity Certifications prepared by the NSSC. The NSSC is responsible for providing and performing activities listed in the CMP Appendix.

b. Agency OCFO Financial Management Division is responsible for reviewing specific NASA consolidated activities listed in the CMP Appendix. Business Area 01 is not reported as a Center. It is currently used to report some Agency-level data, such as depreciation, imputed cost, and warrants (All CMP activities related to Business Area 01 will be handled by the Agency OCFO).

1.3.2.6.4 Procedures/data sources. This section provides information on the standard data sources that are to be used for the control activity. It also provides the transaction codes all Centers are expected to use in order to ensure that all results are based on consistent data.

a. External data source. If an external data source (i.e. Treasury reported confirmations) is needed, it is listed.

b. Transaction code. Systems, Applications and Products in Data Processing (SAP) and/or Business Warehouse (BW) transaction codes are included.

c. Transaction description. Description of the transaction(s) used.

- d. Accounting periods to be analyzed. Generally either year to date (one-current) or inception to date (zero-current) periods apply.
- e. Other selection criteria. Selection attributes for the reports (i.e. accounts, fund type).
- f. Analysis/review procedure to be performed. This section states the procedure to be performed.

1.3.2.6.5 Standards. What is expected (i.e. no reconciliation differences).

1.3.2.6.6 Thresholds for differences/exceptions. Thresholds represent the absolute cumulative value of differences at the account, fund level and trading partner level (for vendor/customer related accounts) within a business area. (These are performance measures). Thresholds for month end, quarter end and year end differences are provided.

1.3.2.6.7 Valid Reconciling Items/Permanent Items. Also listed are known conditions that may exist temporarily or permanently, causing a difference when executing a control activity. The listed conditions do not result in a significant exception for reporting purposes. Exception levels are provided in the CMP Manual.

1.3.3 Additional information on how to post transactions and execute reports is available through the Enterprise Performance Support System (EPSS).

## 1.4 Control Activities

1.4.1 The control activities shall be performed for each individual business area except where Agency is indicated. The following are the business areas:

Business Area	Center
10	Headquarters
21	Ames Research Center
22	Glenn Research Center
23	Langley Research Center
24	Dryden Research Center
51	Goddard Space Flight Center
55	NASA Management Office
62	Marshall Space Flight Center
64	Stennis Space Center
72	Johnson Space Center
76	Kennedy Space Center

1.4.2 The NSSC Working Capital Fund entity is responsible for its own operations for purposes of CMP compliance (Business Area 11). Where the NSSC is listed under "Responsibility" this is in reference to the services provided to the Centers by the NSSC Service Delivery.

1.4.3 Business Area 77 is for External Reporting Branch Quarterly Journal Voucher Adjustments.

## 1.5 Reporting Requirements

1.5.1 The Center Reporting Matrix shall be submitted to NASA Headquarters Agency OCFO on a monthly basis. This is a standard form used by Centers to report results of control activities and certify that all activities have been completed. These forms are analyzed and evaluated by both Headquarters and Center management. NASA has implemented a quality control process that involves periodically visiting the Centers or receiving CMP review packages to validate that the reported results are supportable and accurate. If, after these review/processes, all results are within performance measures and all control activities have been completed, then NASA will have demonstrated that it has management and internal controls that provide for reliable financial statements prepared in accordance with GAAP. The reconciliations and other procedures performed as part of each control activity also provide documentation of balances and activities needed for audit purposes.

1.5.2 The Centers are required to submit the Chief Financial Officer (CFO) Certification, signed Control Sheets, Fluctuation Analysis, Analytical Review of Financial Statement lines and the Center Reporting matrix (formats provided in the Appendix of the CMP Manual) for all Control Activities to the Financial Management Division by the 14th calendar day of each month.

## 1.6 CMP Roles and Responsibilities

1.6.1 The NASA Agency Deputy Chief Financial Officer, Finance or Official designee shall:

- a. Establish and be responsible for all reconciliations at the Agency level.
- b. Analyze and evaluate the results of the monitoring activities through comparison to policy standards and performance metrics.
- c. Evaluate the results of control activities.
- d. Coordinate and monitor the development and submission of reconciliations.
- e. Provide guidance relative to the continuous monitoring process.

1.6.2 The NASA Center Chief Financial Officer shall:

- a. Establish responsibility for review and reconciliation activities.
- b. Ensure timely completion and submission of periodic review and reconciliation activities on a monthly basis.
- c. Ensure correctable items identified through the control activities are corrected by the Center in a timely manner.
- d. Provide a monthly NASA Center Certification to ensure all control activities have been performed and results are consistent with the standards set forth for each activity. The certification shall ensure the following:
  - (1) Evidence exists that the reviews and/or reconciliations described for the internal controls have been performed.
  - (2) Auditable support documentation exists for the reviews and reconciliations performed.
  - (3) Any resulting discrepancies that exceed the thresholds are listed as exceptions and include a narrative explanation of the root cause, an associated value determined for the discrepancy, and an



estimated date of correction (if not done in the current period being reported on).

1.6.3 The NSSC Chief, Financial Management Division shall:

- a. Establish responsibility for review and reconciliation activities.
- b. Ensure timely completion and submission of periodic review and reconciliation activities on a monthly basis.
- c. Ensure correctable items identified through the control activities are corrected by the NSSC in a timely manner.
- d. Provide a monthly NSSC Certification to ensure all required control activities have been performed and results are consistent with the standards set forth for each activity. The certification shall address the following:

- (1) The reviews and/or reconciliations described for the internal controls have been performed.
- (2) Auditable support documentation exists for the reviews and reconciliations performed.
- (3) Any resulting discrepancies that exceed the thresholds are listed as exceptions and include a narrative explanation of the root cause, an associated value determined for the discrepancy, and an estimated date of correction (if not done in the current period being reported on).

1.6.4 Centers and NSSC are expected to coordinate correction activities to ensure corrections are completed timely. Detail regarding these correction activities is available in introduction to the CMP manual.

# Chapter 2. Financial Management Operating Procedures (FMOPs)

## 2.1 FMOP Objectives

2.1.1 FMOPs are documented for processes that need agency-level procedural guidance. NASA's FMOPs are designed to ensure standard and consistent methods of processing, reporting, and reviewing NASA's financial data. These procedures will provide additional resources to assist NASA's financial management community with their day-to-day operations. The FMOPs can be found on the Agency Office of the Chief Financial Officer (OCFO) Web site at <http://www1.nasa.gov/offices/ocfo/nasaonly/fmop.html>.

2.1.2 FMOPs provide direction in processing financial activity in accordance with the principles, standards, regulations, and requirements applicable to each process. FMOPs reflect, at a minimum, the procedures required for compliance with NASA's Procedural Requirements. The FMOPs may be supplemented with more detailed procedures. It is essential for NASA to have a standard and comprehensive method of reviewing and certifying that the financial information provided to our internal and external users is accurate. FMOPs include the key process and control activities determined to establish NASA's internal controls. These procedures are an integral part of NASA financial management guidance and should be used in conjunction with the prescribed NASA Procedural Requirements and Integrated Enterprise Management Program systems instructions contained within the Enterprise Performance Support System (EPSS).

2.1.3 NPRs contain NASA's official financial management policy requirements. It includes information related to financial management matters under the direction of the Agency Chief Financial Officer.

2.1.4 EPSS documents are an integral part of these policies and procedures and should be used in conjunction with the instructions that are delineated in this NPR. These EPSS documents are subject to change based upon system enhancements and additional or clarifying guidance; therefore, the EPSS Web site should be accessed to ensure that the most current guidance is used.

2.1.5 All review and reconciliation activities contained in the FMOPs shall be executed within the timeframe stated.

## 2.2 FMOP Contents

2.2.1 The FMOPs for the financial management subject matter areas include the following sections.

2.2.2 Purpose. This section describes why the procedure exists, or why it is required and what it is designed to accomplish or ensure.

2.2.3 Applicability. This section identifies the coverage of the procedure, including the operating units, groups, or locations to which the procedure applies.

2.2.4 Scope. This section provides the processes covered in the procedure.

- a. The extent of activities covered should be provided including critical dates or events.
- b. The limits of the procedure should be defined if there is a relation to other known procedures that

should be stated.

c. The roles or activities of multiple offices or participants in the procedure or in related procedures should be made clear.

2.2.5 Related References. This section lists the NASA NPR policy, legislation, directives or guidelines implemented by the procedure.

2.2.6 Actions/Frequency of Execution, Process Steps. This section describes the actions of those personnel or operating units involved in the process being documented. Activities (steps) should be described in order of performance and in sufficient detail to ensure the intent of the procedure is achieved. The procedures document should act as a check list that details critical subject information, such as whom, what, when, and where. Relevant forms and guidelines should be included at the appropriate place in this section.

2.2.7 Roles and Responsibilities. This section details responsibilities for implementing office personnel. Position titles shall be provided for individuals responsible for executing this procedure and maintaining supporting processes.

Note: Specific operational responsibilities are included in the Section providing actions, frequency of execution, and process steps.

2.2.8 Continuous Monitoring Program Activities and Internal Control Activities. This section should identify if this procedure contains a continuous monitoring activity as defined in the CMP and/or a key internal control. If so, the aspects of both the "continuous monitoring program" and the "internal control" activities of the procedure described should be identified and summarized.

2.2.9 Associated Supporting Documents. This section lists related procedures, forms, references or other documents, which provide relevant information in relation to the procedure.

2.2.10 Forms/Record Keeping. This section lists forms and/or records that have been generated by this procedure. For each record, the following should be listed: title, location, responsible officer, and minimum retention period.

2.2.11 Contact Point. This section provides the procedure's designated point of contact's information for help or interpretation.

## **2.3 FMOP Roles and Responsibilities**

2.3.1 NASA Agency Chief Financial Officer and Deputy Chief Financial Officer (Finance) or Official designee shall:

- a. Coordinate and monitor the development and submission of reconciliations, other documents, and activities for periodic review and reconciliation processes.
- b. Provide financial management guidance and direction as to the procedures, purpose, due dates, and details to be included for periodic review and reconciliation activities.
- c. Designate a person(s) or office responsible for handling the guidance, coordination, and monitoring of periodic review and reconciliation activities.
- d. Monitor financial management guidance and direction for compliance/consistency with standards, laws, and regulations.
- e. Maintain and update guidance and direction.

f. Publish financial management guidance and directions for use by NASA Centers and component entities.

g. Act in accordance with financial management guidance and directions.

2.3.2 NASA Center Chief Financial Officer shall:

a. Conduct or assist with the financial management operating procedure activities.

b. Monitor the results of activities defined in FMOPs to ensure accuracy and timeliness.

c. Ensure that the applicable corrective action is taken due to findings through the performance of the FMOPs and keep accurate documentation and records of corrections.

2.3.3 The NSSC Chief, Financial Management Division shall:

a. Conduct or assist with the FMOP activities.

b. Ensure timely completion of activities defined in FMOPs.

c. Take corrective action necessary due to findings through the performance of the FMOPs and keep accurate documentation and records of corrections.

# Appendix A. Acronyms

BW	Business Warehouse
CFO	Chief Financial Officer
CMP	Continuous Monitoring Program
EPSS	Enterprise Performance Support System
FMOP	Financial Management Operating Procedure
GAAP	Generally Accepted Accounting Principles
NPD	NASA Policy Directive
NPR	NASA Procedural Requirements
NSSC	NASA Shared Services Center
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
SAP	Systems, Applications and Products in Data Processing
U.S.C.	United States Code